

REPORT
WASHINGTON PARISH GAS
UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL

Franklinton, Louisiana

Component Unit Financial Statements
and Auditor's Reports
As of and for the Years Ended
December 31, 2000 and 1999
with Supplemental Information Schedules

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
Franklinton, Louisiana

Component Unit Financial Statements
As of and for the Year Ended December 31, 2000
With Supplemental Information Schedule

C O N T E N T S

	<u>Page No.</u>
AUDITOR'S REPORT.....	1 - 2
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	3 - 5
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	6 - 7
FINANCIAL STATEMENTS	
Balance Sheet.....	8 - 9
Statement of Revenues, Expenses and Changes in Retained Earnings.....	10
Statement of cash flows.....	11
Statement of Revenue and Expenses - Budget and Actual.....	12
NOTES TO FINANCIAL STATEMENTS.....	13 - 24
SUPPLEMENTAL INFORMATION	
General and Administrative Expense-Schedule 1	25
Board of Commissioners Compensation-Schedule 2	26
REPORT OF MANAGEMENT'S CORRECTIVE ACTION PLAN	27 - 28
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	29

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Washington Parish Council
Board of Commissioners
Washington Parish Gas
Utility District No. 2
Franklinton, Louisiana

Commissioners:

We have audited the accompanying financial statements as listed in the table of contents of the Washington Parish Gas Utility District No. 2, (a component unit of the Washington Parish Council) as of December 31, 2000 and 1999, and for the years then ended. These financial statements are the responsibility of the District's Board of Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Washington Parish Gas Utility District No. 2. The information has been subjected to the auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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In our opinion, the financial statements and supplemental information referred to in the above paragraphs, present fairly, in all material respects, the financial position of the Washington Parish Gas Utility District No. 2 (a component unit of the Washington Parish Council) as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Durden & Alonzo

Durden and Alonzo
Certified Public Accountants

June 25, 2001

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Washington Parish Council
Board of Commissioners
Washington Parish Gas
Utility District No. 2
Franklinton, Louisiana

REPORT DATE: June 25, 2001
REPORT PERIOD: 12/31/2000
AUDIT PERIOD: 12/31/1999
AUDIT TYPE: Annual
AUDIT TYPE: Internal Control

We have audited the financial statements of the Washington Parish Gas Utility District No. 2 (a component unit of the Washington Parish Council) of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated June 25, 2001.

REPORT DATE: June 25, 2001

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

The Board of Commissioners of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of component unit financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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(continued)

In planning and performing our audit of the financial statements of the Washington Parish Gas Utility District No. 2 for the years ended December 31, 2000 and 1999, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements.

- Finding:** No segregation of duties, same person handles all phases of cash receipts, and accounts receivable.
- Cause:** Limited office staff. All cash receipts and accounts receivable billing and control are handled by the clerk in the Franklinton office. She takes payments and prepares all bank deposits, and monthly billings for accounts receivable.
- Recommendation:** Due to the limited available work, a complete segregation of duties is impractical. The CPA office reconciles the bank balance each month, and on a random basis counts cash and reconciles the subsidiary accounts receivable balances with the general ledger balance.

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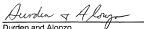
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A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Washington Parish Gas Utility District No. 2, in a separate letter dated June 25, 2001.

This report is intended for the information of the Board of Commissioners of the Washington Parish Gas Utility District No. 2, the Washington Parish Council, and the State of Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.



Durden and Alonzo
Certified Public Accountants

June 28, 2001

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Washington Parish Council
Board of Commissioners
Washington Parish Gas
Utility District No. 2
Franklinton, Louisiana

We have audited the financial statements of the Washington Parish Gas Utility District No. 2, a component unit of the Washington Parish Council, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 25, 2001.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

Compliance with laws, regulations, bond indenture provisions, and grants applicable to the Washington Parish Gas Utility District No. 2 is the responsibility of the District's Board of Commissioners. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, and bond indenture provisions. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclose the following instance of non-compliance with laws and regulations: Annual budgets were not adopted in a timely manner. The 2000 budget was not adopted until the February 2000 meeting of the board of commissioners, and necessary amendments were not made.

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(continued)

We considered this instance of non-compliance in forming our opinion on whether the Washington Parish Gas Utility District No. 2's 2000 component unit financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles, and this report does not affect our report dated June 25, 2001, on those component unit financial statements.

This report is intended for the information of the Board of Commissioners of the Washington Parish Gas Utility District No. 2, the Washington Parish Council, and the State of Louisiana Legislative Auditor. However, the report is a matter of public record and its distribution is not limited.

Durden + Alonzo

Durden and Alonzo
Certified Public Accountants

June 28, 2001

FINANCIAL STATEMENTS

STATEMENT A

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
Franklinton, Louisiana

BALANCE SHEET

	2000	1999
ASSETS		
Current assets:		
Cash on hand and in banks	\$ 6,515	\$ 31,322
Accounts receivable-net of allowance for bad debts	111,054	69,549
Unbilled revenue	31,845	20,178
Inventory	22,356	31,317
Prepaid insurance	4,340	7,882
Total current assets	<u>175,110</u>	<u>160,348</u>
Restricted assets:		
Revenue Bonds Reserve Fund	3,593	10,703
Revenue Bonds Contingency Fund	2,357	2,400
Customer's meter deposit fund	40,385	35,120
Bond proceeds deposits-line extension	18,398	45,258
Litigation claim funds	40,000	-
Total restricted assets	<u>104,733</u>	<u>94,481</u>
Property and equipment:		
Gas line system	1,131,623	1,131,623
Gas meters	12,440	12,440
Equipment	44,178	30,511
Construction in progress-line extension	360,900	260,360
Total property and equipment	<u>1,549,141</u>	<u>1,434,934</u>
Less accumulated depreciation	<u>(751,066)</u>	<u>(718,886)</u>
Net property and equipment	<u>818,075</u>	<u>716,068</u>
Other assets:		
Deferred bond issuance cost	14,254	14,254
Less amortization	<u>(356)</u>	<u>-</u>
Total other assets	<u>13,908</u>	<u>14,254</u>
Total Assets	<u>\$ 1,112,026</u>	<u>\$ 987,161</u>

The accompanying notes are an integral part of this statement

STATEMENT A

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
Franklinton, Louisiana

BALANCE SHEET

	2,000	1999
<u>LIABILITIES AND FUND EQUITY:</u>		
Current Liabilities:		
Accounts payable	\$ 93,109	\$ 113,404
Accrued expenses	4,399	2,939
Current portion of long-term debt	29,297	3,461
Accrued interest payable	-	10,793
Total current liabilities	<u>126,795</u>	<u>130,597</u>
Current Liabilities-payable from restricted assets:		
Customers' meter deposits	40,395	38,120
Construction payable-line extension	15,404	80,760
Litigation claim payable	40,000	-
Total current liabilities	<u>95,799</u>	<u>128,880</u>
Long-term liabilities:		
USDA Rural Development bonds payable	745,043	599,328
Notes payable-Resource Bank	5,322	8,510
Less current portion	<u>(29,297)</u>	<u>(3,461)</u>
Total long-term liabilities	<u>721,078</u>	<u>604,375</u>
Total liabilities	943,692	861,762
Fund Equity:		
Retained earnings - unreserved and undesignated	<u>169,164</u>	<u>125,399</u>
Total Fund Equity	<u>169,164</u>	<u>125,399</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>1,112,826</u>	<u>987,161</u>

The accompanying notes are an integral part of this statement

STATEMENT B

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
Franklinton, Louisiana

STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS

For the Years Ended December 31,

	2000	1999
Operating revenues:		
Gas sales	\$ 490,193	\$ 385,709
Forfeited discounts	14,288	8,948
Overhead meters and adjustments	(2,932)	(1,927)
Miscellaneous income	2,888	7,585
Total operating revenues	<u>504,417</u>	<u>400,315</u>
Operating expenses:		
Cost of gas sold	228,142	150,393
Billing services	-	43,459
Line relocation	-	2,718
Bad debt provision	5,728	4,977
General and administrative (Schedule 1)	135,728	-
Depreciation	34,180	31,274
Total operating expenses	<u>400,778</u>	<u>323,763</u>
Operating income (loss)	103,639	76,552
Other revenue:		
Interest income	1,513	6,182
Other charges:		
Litigation claim	(40,000)	-
Revenue bond interest	<u>(21,367)</u>	<u>(29,422)</u>
Net Income	43,765	54,312
Retained earnings, beginning of year	<u>125,399</u>	<u>71,067</u>
Retained earnings, end of year	<u>\$ 169,164</u>	<u>\$ 125,369</u>

The accompanying notes are an integral part of this statement

STATEMENT C

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
Franklinton, Louisiana

STATEMENT OF CASH FLOWS
For Years Ended December 31,

	2020	1999
Cash flows from operating activities:		
Operating Income	\$ 103,639	\$ 76,552
Depreciation	34,160	31,274
Amortization	356	-
(Increase) decrease in accounts receivable	(53,172)	(22,221)
(Increase) decrease in inventory	8,961	(23,969)
(Increase) decrease in other assets	3,642	(7,816)
Increase (decrease) in accounts payable	(20,295)	7,269
Increase (decrease) in accrued liabilities	1,460	1,682
Increase (decrease) in interest payable	(10,703)	(1,769)
Net cash provided (used) by operating activities	<u>68,068</u>	<u>61,000</u>
Cash flows from capital and related financing activities		
Funds borrowed	109,700	609,326
(Increase) decrease in deferred bond cost	-	(14,264)
(Increase) decrease in restricted assets	(10,252)	86,489
Principal payments on debt	(16,772)	(401,490)
Interest payments on bonded debt	(42,880)	(33,182)
Interest earnings-reserve & contingency fund	36	1,781
Payments for capital acquisitions	(134,167)	(280,457)
Net cash provided (used) by financing activities	<u>(94,350)</u>	<u>(31,797)</u>
Cash flows from investing activities:		
Interest receipts other than from restricted assets	1,475	211
Net cash provided (used) by investing activities	<u>1,475</u>	<u>211</u>
Net increase (decrease) in cash and equivalents	<u>(24,807)</u>	<u>29,414</u>
Cash and cash equivalents, beginning of year	<u>31,322</u>	<u>1,608</u>
Cash and cash equivalents, end of year	<u>\$ 6,515</u>	<u>\$ 31,322</u>

The accompanying notes are an integral part of this statement

STATEMENT D

WASHINGTON PARISH BAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
Franklinton, Louisiana

Statement of Revenues, Expenses and Changes in
Retained Earnings - Budget and Actual

For Year Ended December 31, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Gas sales	\$441,000	\$490,193	\$ 49,193
Forfeited discounts	13,000	14,288	1,288
Adjustment/overread meters	(10,000)	(2,932)	7,068
Miscellaneous income	750	2,868	2,118
Total operating revenues	<u>444,750</u>	<u>504,417</u>	<u>59,667</u>
Operating deductions:			
Gas purchases	208,500	225,142	(18,642)
Bad debts	7,000	5,728	1,272
General and adm. expense	121,375	135,728	(14,353)
Depreciation	30,325	34,180	(3,855)
Total operating deductions	<u>365,200</u>	<u>400,778</u>	<u>(35,578)</u>
Operating income	79,550	103,639	24,089
Non-operating items:			
Interest income	10,000	1,513	(8,487)
Litigation claim	-	(40,000)	(40,000)
Bond interest expense	<u>(28,875)</u>	<u>(21,387)</u>	<u>5,488</u>
Net Income (loss)	62,675	43,765	(18,910)
Retained earnings, beginning	<u>125,399</u>	<u>125,399</u>	<u>-</u>
Retained earnings, ending	<u>\$188,074</u>	<u>\$169,164</u>	<u>\$ (18,910)</u>

The accompanying notes are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

INTRODUCTION

The Washington Parish Gas Utility District No. 2, was created by the Washington Parish Police Jury on July 7, 1972, under provisions authorized by LRS 33:430. The purpose of the district was to build and maintain a natural gas distribution system for the rural area in the western part of Washington Parish. The system serves approximately 1,000 customers over distribution lines of 165 miles.

The accounting and reporting policies of the district are the responsibility of a five-member board (compensated-Schedule 2) appointed by the Washington Parish Council. These accounting and reporting policies conform to generally accepted accounting principles as applicable to enterprise funds of a government entity. Such accounting and reporting procedures also conform to the guides set forth in the Louisiana Municipal Audit and Accounting Guide and to the industry audit guide, Audits of State and Local Governmental Units. The actions of the board also conform to the various provisions of the bond indenture as adopted in a resolution dated August 4, 1972.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying component unit financial statements of the Washington Parish Gas Utility District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Washington Parish Council is the financial reporting entity for Washington Parish.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

The financial reporting entity consists of (a) the primary government, parish council, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Washington Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the parish council to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Council.
2. Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the Parish Council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the parish council appoints the governing board and has the ability to significantly influence operations, the district was determined to be a component unit of the Washington Parish Council, the financial reporting entity.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

The accompanying financial statements present information only on the funds maintained by the district and do not present information on the parish council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The Washington Parish Gas Utility District No. 2 is organized and operated on a fund basis of accounting whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that cost (expenses, including depreciation) of providing service on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a "flow of economic resources" measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The District uses the following practices in recording certain revenue and expenses:

Revenues

All revenues are susceptible to accrual basis of accounting. Gas revenues are billed on a recurring monthly basis, as gas is used by the District's customers. Bills are rendered at the beginning of each month for gas used the previous month. Accounts are primarily collected in the month following use of the gas. Re-connect fees, and installation fees are recorded in the month the service is rendered and collected the following month. Interest income is paid and recorded on a monthly basis, with the exception of some interest on U S treasury notes paid on a quarterly basis. Interest is accrued as earned on those treasury notes.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

Expenses

The district records expenses as they are incurred. Gas purchases are billed monthly and paid the following month. Supplies purchased during the month are normally paid the next month.

E. BUDGET

The proposed budget for 2000 was presented at the January 2000 meeting and adopted at the February 2000 board meeting. The budget is prepared on the accrual basis of accounting, with additional provision made for bond debt service. The board forwarded a copy of the approved budget to the Washington Parish Council. The board reviews the budget actual comparison on a monthly basis as a part of their management of the system. The 2000 budget was not amended. The 2001 had not been adopted as of the date of this report. It is however; planned for adoption at the June 26, 2001 meeting.

F. CASH AND CASH EQUIVALENTS

Cash includes unrestricted amounts in demand deposits, interest bearing demand deposits, and money market accounts. The district includes in cash and cash equivalents, amounts in time deposits and those investments in bank certificates of deposits with original maturity of no more than 90 days.

Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. These are classified as investments if their original maturity exceed 90 days. Investments are stated at their fair market value.

G. INVENTORIES

The District purchases their estimated monthly gas allotment based on historical analysis. By agreement with El Paso Energy Co., the District is allowed to store any surplus gas in the El Paso Energy Co. facilities. Inventories of gas are valued at lower of cost or market and are expensed using the first-in first-out method.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

H. RESTRICTED ASSETS

Bond Reserve and Contingency Funds

The Revenue Bond Reserve Fund and Contingency Fund were established as part of the \$758,000 gas utility revenue bond series 1998 indenture. The Bond Reserve Fund is an investment account where funds are accumulated (\$151 per month) and held in reserve for payment of bonds and interest when the necessary funds would not be available from operating funds. Maximum amount for the Reserve Fund is one year's payments of interest and principle. The Contingency Fund is an investment account where funds are accumulated (\$253 per month) to pay for any emergency repairs or other contingencies that may arise. There is no maximum balance established for this fund. Accumulation of these funds are to commence upon completion and acceptance of the new distribution line.

The funds included as restricted assets are offset in restricted liabilities.

Customer Meter Deposits

Money received for utility deposits paid by new customers is held at Hancock Bank, Franklinton, Louisiana. Meter deposits are held by the district, until a customer becomes inactive. The meter deposit is then applied to the accounts receivable balance due and any remainder is refunded to the customer. Current meter deposits are: large commercial \$150, small retail \$125, and homeowner \$100.

Bond Proceed Deposits

Money received from USDA Rural Development as advances on the bond debt issued June 1998. Funds in this account are used to pay for cost of construction of the extension of the distribution lines and meters. At December 31, 2000 construction is complete and the District is awaiting final approval from engineers in order to pay retainage of construction funds due the contractor.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

LITIGATION CLAIM FUNDS

Money set aside to pay for the settlement of a suit against the District. At the time of the claim the District did not have liability insurance. The board agreed to a settlement of \$40,000 in the case. They are to pay \$20,000 May 1, 2001; and an additional \$20,000 May 1, 2002.

J. FIXED ASSETS

Fixed assets of the district are included on the balance sheet of the enterprise fund at historical cost. Interest costs incurred during construction were capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Gas system	40 years
Gas meters	20 years
Office equipment	10 years
Other equipment	5 years

K. LONG-TERM LIABILITIES

Long-term liabilities are recognized on the balance sheet of the enterprise fund. For the district this is represented by the balance of bonds due, and payable after one year.

2. CASH AND CASH EQUIVALENTS

At December 31, 2000, the district has unrestricted cash and cash equivalents (book balances) totaling \$6,515 in demand deposits, and cash on hand.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are to be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2000, the District has \$24,406 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance.

3. RESTRICTED ASSETS

At December 31, 2000, the District had restricted funds (collected bank balances) as follows:

	<u>Collected Bank Balances</u>	<u>Book Value</u>
Meter Deposit Funds:		
Demand deposits	\$ 19,232	\$ 16,172
Interest-bearing demand deposits	17,213	17,213
Time deposits	7,000	7,000
Reserve and Contingency Funds:		
Interest-bearing demand deposits	\$ 5,950	\$ 5,950
Bond proceed funds:		
Demand deposits	\$ 18,398	\$ 18,398
Litigation claim funds:		
Demand deposits	\$40,000	\$40,000

During 2000 there were no deposits which exceeded the \$100,000 of federal deposit insurance.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 1
OF THE
WASHINGTON PARISH COUNCIL
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of customer account balances at December 31, 2000 - \$123,926, less accounts to be written off of \$12,872, plus un-billed revenue of \$31,845.

5. BAD DEBTS

Uncollectible amounts due from customers' receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. The bad debts are charged off against an allowance account established as an average of the last 3 years charge off's, or the average percentage of charge-offs to sales, whichever is greater. Calculation of the allowance account and subsequent provision for bad debts follows:

<u>Percentage to sales</u>	<u>Charge-offs</u>
Current sales \$498,130.	1998 \$ 6,433.
Average charge-off <u>x 1.15%</u>	1999 2,839.
	2000 <u>2,743.</u>
<u>\$ 5,728.</u>	12,013.
	<u>-/- 3</u>
	<u>\$ 4,005.</u>
<hr/>	
Allowance account balance 1/01/00	\$ 8,655.
Less current year charge-off	(1,512.)
Current year provision	<u>5,728.</u>
Allowance account balance 12/31/00	<u>\$ 12,872.</u>

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

6. FIXED ASSETS

All fixed assets are stated at historical cost. Following is a summary of the activity in the fixed asset accounts for 2000:

	Balance	Additions	Deletions	Balance
Gas system	\$ 1,131,623	\$ -	\$ -	\$ 1,131,623
Gas meters	12,440	-	-	12,440
Office equipment	7,453	2,150	-	9,633
Other equipment	23,028	11,517	-	34,545
New Extension	280,900	120,520	-	380,900
Totals	<u>\$ 1,434,954</u>	<u>\$ 134,187</u>	<u>\$ -</u>	<u>\$ 1,569,141</u>

A summary of the accounts and the related accumulated depreciation follows:

	Cost	Accumulated Depreciation	Net
Gas system	\$ 1,131,623	\$ 730,885	\$ 400,738
Gas meters	12,440	9,174	3,266
Office equipment	9,633	4,424	5,209
Other equipment	34,545	6,583	27,962
New line extension	380,900	-	380,900
Totals	<u>\$ 1,569,141</u>	<u>\$ 751,066</u>	<u>\$ 818,075</u>

The Board of Commissioners elected to capitalize interest during the construction period of the new line extension. Capitalized interest in the amount of \$10,789 is included in the cost of the new line extension.

Depreciation is computed on a straight-line basis for financial statement purposes.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

7. USDA RURAL DEVELOPMENT BONDS

The current balance of \$745,043 of par value Gas Utility Revenue Bonds series 1998 dated June 1, 1999 were issued on behalf of the District for the purpose of constructing and acquiring improvements, extensions, and replacements to their gas utility system and to retire the old bond debt (\$376,126). The funds were advanced over a period from June 1999-October 2000, and totaled \$758,000. The new bond debt consist of one bond payable to the USDA Rural Development. Payments of \$5,058 commenced July 2000, and include interest at the rate of 4.75% per annum payable over twenty years. In addition to the monthly payment of the bonded debt, the District is to make monthly payments to a reserve fund (\$151), and a contingency fund (\$253); commencing upon date of completion and acceptance of the extension project. Since monthly payments commenced July 2000 and have been paid each month through December 2000, there will be no interest accrual on this loan. Following is a schedule of future debt payments on these bonds:

Year	Principle	Interest	Total
2001	\$ 25,814	\$ 34,858	\$ 60,672
2002	27,067	33,605	60,672
2003	28,381	32,291	60,672
2004	29,759	30,913	60,672
2005	31,204	29,468	60,672
2006	32,719	27,953	60,672
2007	34,307	26,365	60,672
2008	35,973	24,699	60,672
2009	37,719	22,953	60,672
2010	39,551	21,121	60,672
2011	41,471	19,201	60,672
2012	43,484	17,188	60,672
2013	45,595	15,077	60,672
2014	47,808	12,864	60,672
2015	50,130	10,542	60,672
2016	52,563	8,109	60,672
2017	55,115	5,557	60,672
2018	57,791	2,881	60,672
2019	28,591	898	29,489
Totals	<u>\$ 745,043</u>	<u>\$ 324,240</u>	<u>\$ 849,498</u>

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

8. NOTES PAYABLE-RESOURCE BANK

The \$5,322 balance represents funds borrowed from Resource Bank, Franklinton, La to purchase a truck, computer, computer software, and billing supplies. This is an installment note dated June 18, 1999. The note is payable at \$317 per month including interest at 8.5% per annum for 36 months. Following is a list of future debt payments:

Year	Principle	Interest	Total
2001	\$ 3,448	\$ 355	\$ 3,804
2002	1,874	61	1,935
Total	\$ 5,322	\$ 417	\$ 5,739

9. LITIGATION AND CLAIMS

As of December 31, 2000, the District has been named as defendant in two lawsuits:

Knight lawsuit -The Board of Commissioners agreed to settlement of this suit at their April 26, 2001 board meeting. The settlement totaled \$40,000 and is to be paid in two payments: (1) May 1, 2001-\$20,000, (2) May 1, 2002.

Magee lawsuit- The District's attorney has stated that he feels this case does not appear to have any merit. However, the District did not have liability insurance at the time of this claim and they could incur some legal expenses in this case.

10. COMPENSATED ABSENCES

The District voted at their August 31, 2000 meeting to allow full time employees to accrue sick time of up to 18 days. Employees are to accrue one day per month commencing September 2000. Since there were only 4 days accrued at year end no provision for compensated absences was made at December 31, 2000.

11. LEASES

The District does not have any items under a capital or operating lease at December 31, 2000.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2000

12. ON-BEHALF PAYMENTS

Certain operating expenditures of the District are paid by the Washington Parish Council. The District's office is located in a building leased by the Council. The Council pays the rent and utilities on the building (office space approximately 80 square feet). These expenditures are not reflected in the accompanying financial statements.

13. SUBSEQUENT EVENTS

At the April 2001 board meeting the commissioners voted to accept a settlement of the Knight lawsuit (see note H) for a sum of \$40,000.

Estimated completion and acceptance of the distribution line extension is estimated to take place at the July 2001 meeting.

SUPPLEMENTAL INFORMATION

Schedule 1

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH COUNCIL
Franklinton, Louisiana

GENERAL AND ADMINISTRATIVE EXPENSES

For the Years Ended December 31,

	<u>2000</u>	<u>1999</u>
Salaries	\$ 50,110	\$19,800
Clerical expense & meter reading	-	4,731
Payroll taxes	3,543	1,482
Accounting services	6,825	8,425
Legal fees	3,663	4,813
Board of Commissioners expense	5,721	5,280
Paying agent fees	600	1,726
Operating interest	673	
Insurance	26,143	10,896
Warehouse rent	750	600
Supplies and expense-office	4,293	3,597
Supplies and expense-gas line	10,578	11,385
Repairs and maintenance	6,344	6,967
Meter replacement	-	2,566
Telephone	2,414	2,199
Truck expense	8,074	2,129
One-call concept	700	746
Severance taxes	2,744	2,028
Amortization of bond issuance cost	356	366
Miscellaneous	2,197	1,626
Total	<u>\$ 135,728</u>	<u>\$90,942</u>

See auditor's report

Schedule 2

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
OF THE
WASHINGTON PARISH POLICE JURY
FRANKLINTON, LOUISIANA

BOARD OF COMMISSIONERS COMPENSATION

For the Year Ended December 31, 2000

The Board of Commissioners of the district, consist of five members appointed by the Washington Parish Government. The following schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation did not exceed provisions of R.S. 33:4305.B.[1].

	<u>Meetings</u>	<u>Board Fees</u>	<u>Travel</u>	<u>Total</u>
Will Smith Jr.	12	\$ 900	\$ 346	\$ 1,246
Louis A. Jones	3	225	169	394
Ralph Riley	12	900	626	1,526
George McKenzie	12	900	154	1,054
Joe H. Davis	12	900	63	963
Charlie Bowlin	7	525	13	538
Totals		<u>\$4,350</u>	<u>\$1,371</u>	<u>\$ 5,721</u>

The Commissioners are appointed to the following terms on January 1, 2000

Ralph Riley	1 years
J. M. Thomas	2 years
Joe Davis	3 years
Louis A. Jones	4 years
Will Smith, Jr.	5 year

Re-appointments are made each January for the member whose term expires.

MANAGEMENT'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR YEAR FINDINGS

WASHINGTON PARISH GAS UTILITY DISTRICT NO 2
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FISCAL YEAR ENDED DECEMBER 31, 2000

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action/Partial Corrective Action Taken
Section I-Compliance and Internal Control Report				
99-1	12/31/74	Lack of separation of duties of the A/R billing and collections	unresolved	Management will continue to require additional checks and balances by the CPA, and other functions as previously explained.
99-2	12/31/97	Lack of control over meter and materials purchases	resolved	Receipt of supplies is now being verified and purchase orders are used by the service man, and reference is made to a workorder number on the purchase order.

WASHINGTON PARISH GAS UTILITY DISTRICT NO 2
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR CURRENT YEAR FINDINGS
FISCAL YEAR ENDED DECEMBER 31, 2000

Ref. No.	Description of Findings	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
Section I-Compliance and Internal Control Reports:				
2000-1	No segregation of duties for cash receipts and AVR billing	This will continue to be an unresolved matter of control due to the limited funds available to hire necessary employees to separate the duties entailed in billing and receiving of payments on accounts receivable	Ralph Riley	
2000-2	Annual budgets not adopted in a timely manner, and necessary amendments were not made	Office clerk will place on the calendar a note to appoint a board member to prepare and present the up-coming year budget at the November meeting and adopt the budget at the December meeting. With the aid of the CPA office the clerk and an appointed board member will prepare any budget amendments necessary.	Jeanne Jones	July 1, 2001
Section II-Management Letter:				
2000-3	Employee time records not properly approved or verified	President will appoint a board member to be responsible for approving time records, overtime, and additional clerical help. He will also insure the approval is noted on time records prior to signing payroll checks	Ralph Riley	July 15, 2001
2000-4	Monthly billings mailed at varying times during year	Procedural manual is to be prepared to cover the exact meter reading, and billing dates.	Ralph Riley	November 30, 2001

WASHINGTON PARISH GAS UTILITY DISTRICT NO 2
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR CURRENT YEAR FINDINGS
FISCAL YEAR ENDED DECEMBER 31, 2000

Ref. No.	Description of Findings	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
2000-5	Bad debts not removed from the subsidiary ledger for current accounts receivable, and no policy set up to collect delinquent accounts	This policy will also be covered in the procedural manual and will include examples of the written notices to be used.	Ralph Riley	November 30, 2001

WASHINGTON PARISH GAS UTILITY DISTRICT NO 2
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEAR ENDED DECEMBER 31, 2000

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U. S. Department of Agriculture</u>			
<u>Passed through Rural Development Services</u>			
 Water and Waste Disposal Systems for Rural Communities			
Loan - \$758,000 (award)	10410	N/A	\$ 158,874